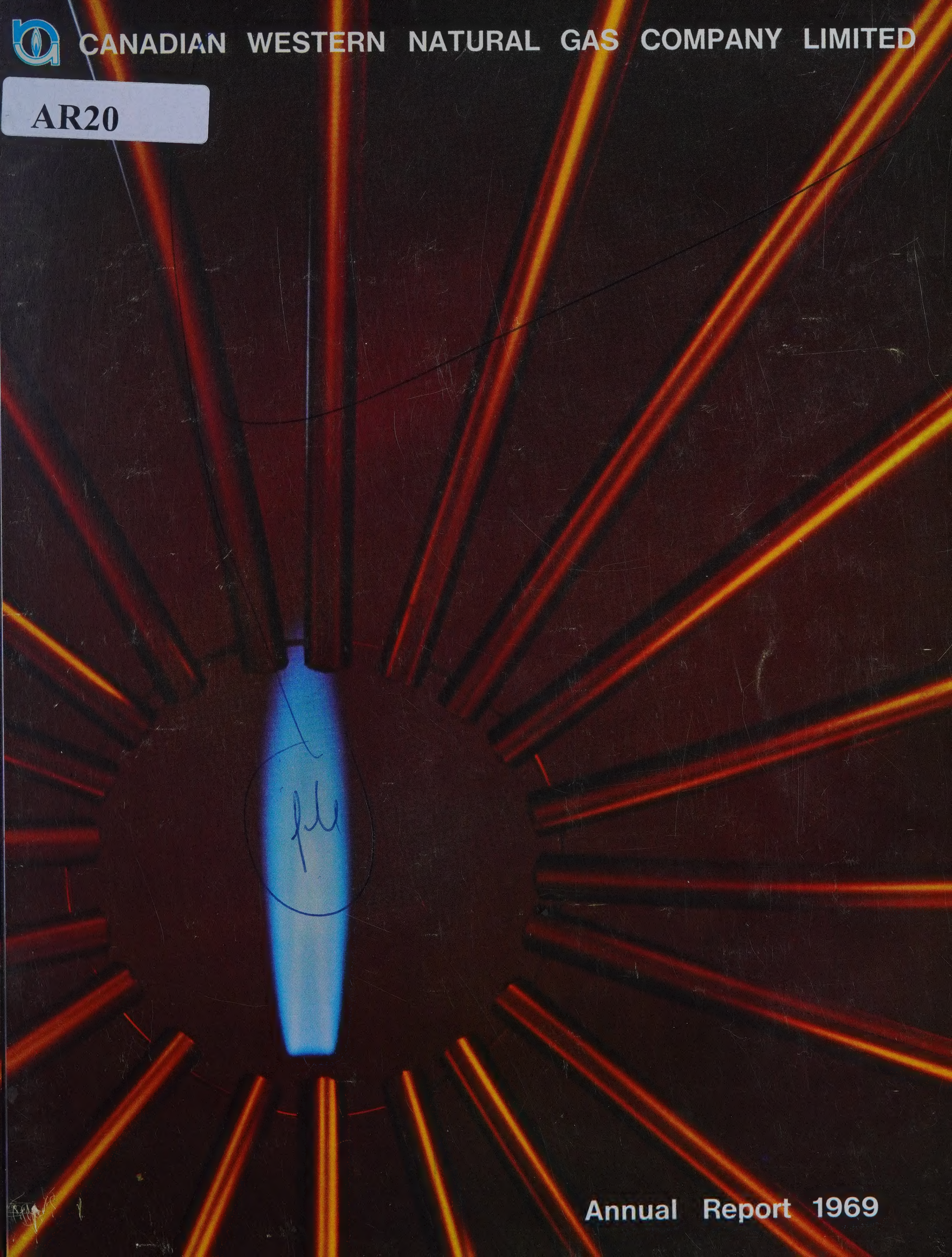
CANADIAN WESTERN NATURAL GAS COMPANY LIMITED



Annual Report 1969

CANADIAN WESTERN NATURAL GAS COMPANY LIMITED

REGISTERED OFFICE: 140 SIXTH AVENUE S.W., CALGARY, ALBERTA, CANADA

BOARD OF DIRECTORS

A. C. Anderson, Lethbridge, Alberta
Owner, Medical Dental Pharmacy (Lethbridge) Ltd.

D. E. Batchelor, Millarville, Alberta
President, Burns Foundations Limited

G. L. Crawford, Q.C., Calgary
Barrister and Solicitor

R. N. Dalby, Edmonton
President, International Utilities Petroleum Corporation

J. C. Dale, Edmonton
Vice-Chairman of the Company, Canadian Western Natural Gas Company Limited

E. W. King, Edmonton
President, Canadian Western Natural Gas Company Limited

K. L. MacFadyen, Calgary
Senior Vice-President — Finance, Canadian Western Natural Gas Company Limited

F. C. Manning, Calgary
President, Manning Egleston Lumber Company Limited

J. E. Maybin, Edmonton
Chairman and Chief Executive Officer, Canadian Western Natural Gas Company Limited

R. S. Munn, Calgary
Corporate Director

J. E. O'Connor, Calgary
Manager, Calgary Associate Clinic

J. M. Seabrook, Salem, New Jersey
Chairman and President, International Utilities Corporation

D. B. Smith, Calgary
Senior Vice-President — Operations, Canadian Western Natural Gas Company Limited

M. E. Stewart, Philadelphia, Pa.
President, General Waterworks Corporation

D. K. Yorath, Edmonton
Chairman of the Executive Committee, Vice-President, International Utilities Corporation

Honorary Directors

P. D. Mellon
Consultant

H. R. Milner, Q.C.
Honorary Chairman of the Board, Canadian Western Natural Gas Company Limited

OFFICERS

J. E. Maybin, Chairman and Chief Executive Officer of the Company
J. C. Dale, Vice-Chairman of the Company
E. W. King, President
K. L. MacFadyen, Senior Vice-President — Finance
R. N. Dalby, Senior Vice-President
D. B. Smith, Senior Vice-President — Operations
B. W. Snyder, Vice-President — Engineering and Rate Administration
J. H. Pletcher, Vice-President Gas Supply
A. M. Anderson, Controller
A. J. L. Fisher, General Manager
A. J. Smith, Secretary
J. H. Miller, Treasurer
D. E. Pearce, Assistant Secretary
Miss E. Zutz, Assistant Secretary

This 24-inch pipeline is the largest ever to be laid in Calgary.

HIGHLIGHTS IN REVIEW

	1969	1968	1967	1966	1965	1959
Customers at Year End	128,843	122,805	117,857	114,060	110,723	87,045
Natural Gas Sales . . (thousands of cubic feet)	71,429,931	67,205,075	62,953,637	61,827,517	58,012,772	41,621,657
Revenue	$25,187,777	$23,432,830	$22,001,346	$21,728,474	$20,876,206	$13,061,059
Net Income	$ 3,004,132	$ 2,787,323	$ 2,667,431	$ 2,808,535	$ 2,935,139	$ 2,114,563
Earnings Per Ordinary Share . .	$ 1.44	$ 1.32	$ 1.25	$ 1.33	$ 1.40	$ .94*
Gross Additions to Plant — Annual . .	$ 5,426,479	$ 4,444,029	$ 5,171,412	$ 5,676,785	$ 2,641,479	$ 4,460,376
Gross Plant	$80,824,666	$76,121,872	$72,432,036	$67,947,926	$63,035,270	$48,862,572
Miles of Pipeline . .	3,439	3,038	2,653	2,199	2,113	1,763
Maximum Daily Demand . . . . . (thousands of cubic feet)	401,433	385,190	326,527	323,861	298,685	225,346
Communities Served .	91	88	88	85	83	59
Population Served	504,000	483,000	464,000	441,000	430,000	322,000

*After adjustment of shares outstanding to reflect increases in authorized capital stock and conversion of then outsanding shares in 1960.

TO THE SHAREHOLDERS

Sales for 1969 were 7½% greater than those of the previous year, increasing by $1,-755,000 to $25,188,000. The revenue increase was entirely due to greater sales volumes because once again there were no price changes during the year. An amount of $670,000 is estimated to be the portion of the increase caused by the rather extreme variations in weather between 1969 and the previous year. Despite the exceptionally cold winter a substantial basic market growth can be seen to account for the greatest portion of the total revenue increase. The 6,038 new customers added during the year represent the greatest increase since 1959.

Operating expenses for the year, including depreciation and taxes, increased by $1,-630,000 over the previous year. The cost of gas purchased, normally one of the major items of increased costs, was held to a relatively small increase in 1969 as compared to 1968. The largest single item contributing to the increase in operating expenses was employee wages, where a total increase of approximately $500,000 occurred.

Net earnings after interest costs increased by $217,000 or 7.8% to a total of $3,004,-000. After allowing for dividends on preferred shares, this results in earnings per common share amounting to $1.44 as compared to $1.32 in 1968. Dividends totalling $1.10 per share were paid. This includes a 15c extra dividend declared in view of the earnings resulting from the unusual weather conditions which cannot be expected to recur except on rare occasions in future years.

The necessity to undertake new long-term financing was postponed by increasing temporary loans by $1,400,000 during the year, bringing the total loans payable to $2,700,000 at year-end.

During the year the income tax rebate system, which has been expected since the necessary legislation was passed in 1966, came into operation. The overall cost of gas service to all customers being served by the company is now being reduced each month by the tax rebates which are being distributed to them in accordance with the regulations established by the Alberta Government.

Certain sections of the White Paper on Tax Reform relating directly to electrical, gas and steam utilities and income tax rebates have caused a great deal of concern on the part of all utility shareholders since the report was issued in November, 1969. These particular sections will effectively deny any tax credit for dividend income for both preferred and common shareholders of utility companies. This has created a difficult financing situation for which the only apparent solution, if the proposals are adopted, is one that leads ultimately to higher costs to the consumer. Strong representations are being made on a company and industry-wide basis to resolve the situation by obtaining the same tax credit treatment for utility shareholders as for investors in any other enterprise.

In July, 1969, the senior management of the company was integrated with that of three affiliated companies also operating principally in Alberta. These are Canadian Utilities, Limited; Northland Utilities Limited and Northwestern Utilities, Limited. At the time J. C. Dale, E. W. King, and R. N. Dalby joined the board of Canadian Western.

Once more, the directors wish to express their appreciation to a loyal, dedicated and competent staff on whose skill and ability we depend to carry out our company's objective of safe and reliable service to the public.

By Order of the Board of Directors,

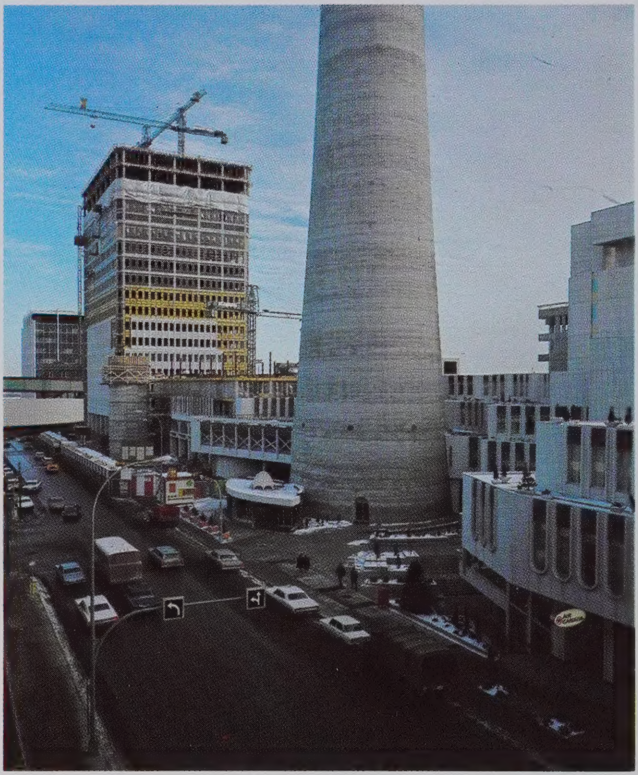
J. E. Maybin

E. W. King

J. E. Maybin, Chairman
March 2, 1970

E. W. King, President

THE YEAR IN REVIEW



Palliser Square . . . one of the city's newest complexes houses shops, restaurants, transportation, offices and apartments and the famous 626-foot high Husky Tower.

Housing construction, both in apartment and home building, continued winter and summer.

GAS SALES

Natural gas sales in 1969, as compared to 1968, increased by 4.2 billion cubic feet to 71.4 billion cubic feet. Temperature has a significant effect on the use of natural gas in the company's service territory, due to its predominant use as a heating fuel. The average Calgary area temperature in 1969 was 35.7 degrees. This was 2.9 degrees colder than 1968 and 3.2 degrees below the long-term average.

Discounting the effect of weather, the increase in 1969 due to basic growth in the company's system was 2.3 billion cubic feet.

The following table shows sales by class of customer in 1969:

	Billion Cubic Feet	Percent of Total
Residential	25.7	36
Commercial	20.4	29
Industrial	25.3	35
	71.4	100%

In terms of customer growth the company enjoyed one of the most successful years in its history, adding 6,038 new customers. The number of customers served by the company reached 128,843. The company's program of extending service to rural customers continued to show a consistently high level of growth, with 604 new rural customers being added in 1969. At the end of 1969 the company was serving over 3,700 rural customers, and in addition has more than 400 summer customers who use natural gas for irrigation pumping.

In 1969 the company extended service to two small communities in the southwest corner of the province, Glenwood and Hill Spring. Service was also extended to Bragg Creek, in the foothills west of Calgary. The addition of these three communities brought the total number of communities served by the company to 91.

A new record was established for volume of gas marketed in one day. On January 29, during one of the most prolonged cold spells in Calgary's

history, the total reached was 401 million cubic feet, some 16 million cubic feet more than the previous record established a month earlier during the same cold spell. The average temperature for January 1969, was 12.5 degrees below zero, compared with the long term average of 14.7 degrees above . . . or a difference of 27.2 degrees. On January 29 the temperature dropped to 38 degrees below zero, and failed to climb above 23 degrees below zero during the day.

MARKETING

The company's service territory continues to enjoy a healthy, vigorous economy, with substantial growth continuing as in recent years, especially in Calgary and Lethbridge.

Building construction was down from 1968 in Calgary, but was maintained at one of the most impressive levels in Canada. Total value of permits was $172,372,000, compared with the record 1968 figure of $183,128,000.

The strong trend to apartments continues with building permits being issued for 174 of them in 1969, compared with 133 in 1968. Single family residences declined from 3,220 to 2,585. The number of dwelling units dropped slightly from 8,568 in 1968 to 8,266 last year. In addition permits were issued to 400 trailer and mobile home sites, to which natural gas was made available.

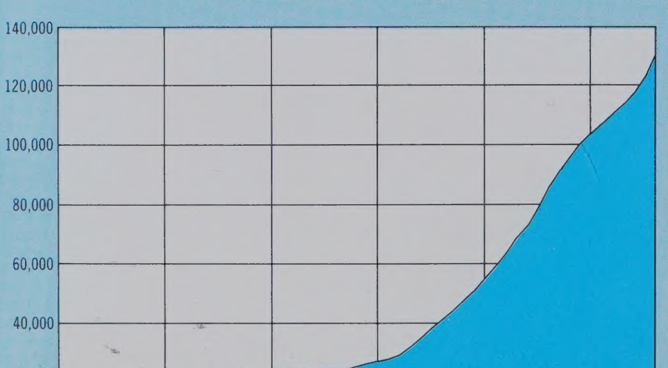
This change, from a city that once housed its population almost exclusively in single family dwellings, is having a significant effect on natural gas sales. In 1969 commercial sales increased by almost two billion cubic feet over 1968. While some of the increase can be attributed to the cold weather in the early part of the year, much of it also can be attributed to the concentrated construction of high rise buildings in the downtown area.

An example of the change to apartment living is on Sixth Avenue southwest in Calgary. Here, in one block, 13 houses were removed for the construction of two 300-suite apartment towers, complete with shopping mall concourse and playground. The 13

Surveying locations for gas lines to serve the rapidly growing business section of Calgary.

Blocks of old homes give way to high-rise structures in down-town Calgary.

CUSTOMER GROWTH



houses had a natural gas requirement of about 3.2 million cubic feet per year. The two-tower complex will require about 76 million cubic feet per year.

This trend will continue in 1970. An office complex known as Bow Valley Square, costing $50,000,000, is to be erected immediately west of the company's head office. To the north a bus depot, shopping mall and hotel tower are expected to be built. Both of these complexes will produce new revenues as they are being built on what is now open ground.

Industrial sales during 1969 were almost identical to those of 1968, despite the somewhat disturbed economic circumstances during the year. There is general optimism concerning location of new industries in the company's service territory. In 1969, for example, 28 new manufacturing companies located in Calgary, higher than the two-a-month average rate. In addition 60 warehouses were built during the year. It is also of interest to note that in 1968, the latest year to be released, Calgary's airport became the fifth busiest in Canada, with 1,061,500 passengers arriving and departing. Ahead of Calgary were only Toronto, Montreal, Vancouver and Winnipeg.

Calgary's population continues to grow at a substantial rate. Growth in 1969 was 4.4 per cent, or 16,411 people, to a total at the end of the year of 385,436.

Lethbridge, too has recorded an upsurge of growth and activity. Building permits in 1969 were $17,684,000, a remarkable increase from the $10,121,000 of 1968.

Not only has the population of the city increased . . . it is now 39,552 . . . but so has the area of the city itself. An annexation order effective January 1, 1970, increased the size of Lethbridge by 50 per cent. It now encompasses 22 sections.

Construction activity in Lethbridge has been accelerated with the announcement of the definitive plans for the University of Lethbridge. Contract for residential administration and classrooms, combined in one building, is to be let this July. The total

projected cost for the first phase of the university is $16,000,000. Opening date is September, 1971.

In the wake of the university plans are a number of residential and commercial developments in west Lethbridge which are due to commence in March, 1971. The first project announced is a town house development at a cost of $1,500,000.

These developments in Lethbridge have made necessary the installation of a significant gas distribution extension, including the construction of a pipeline across the Oldman River to serve the new area in West Lethbridge.

GAS SUPPLY

As of December 31, 1969, marketable gas reserves in fields connected to Canadian Western's system were estimated to be 1,535 billion cubic feet.

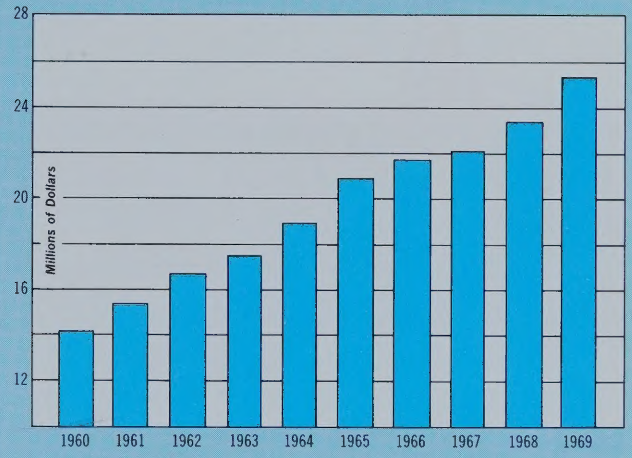
The main sources of gas supply in Canadian Western's system were the Jumping Pound-Jumping Pound West-Sarcee fields, which supplied 55 per cent of the company's requirements during the year. The remainder of the company's purchased gas was obtained from Turner Valley, Redland-Strathmore, Okotoks and a number of smaller sources.

The company's dry gas and storage fields at Foremost, Carbon and Bow Island produced 14 per cent of the annual market requirements. On the peak day, which occurred on January 29, these fields were called on to supply 39 per cent of the total system demand.

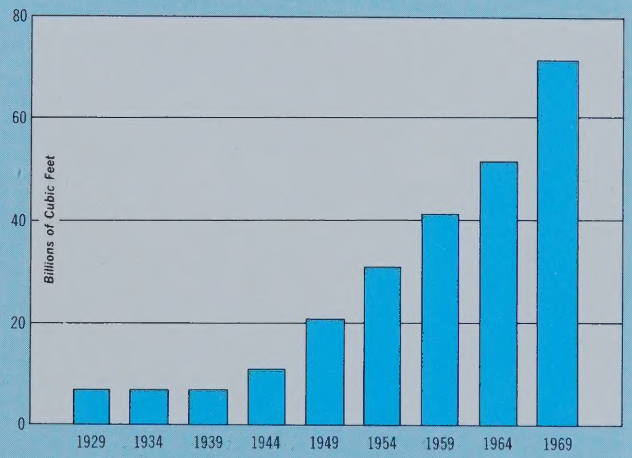
A relatively minor amount, equivalent to 3 per cent of the company's gas supply, was purchased from the export companies, TransCanada PipeLines Limited and Westcoast Transmission Company Limited. This gas was used to supply isolated towns, communities and rural customers and to meet short term winter peaking requirements in various parts of the system.

On November 1 the company entered into an additional gas transportation and exchange scheme with TransCanada involving gas from the Bragg

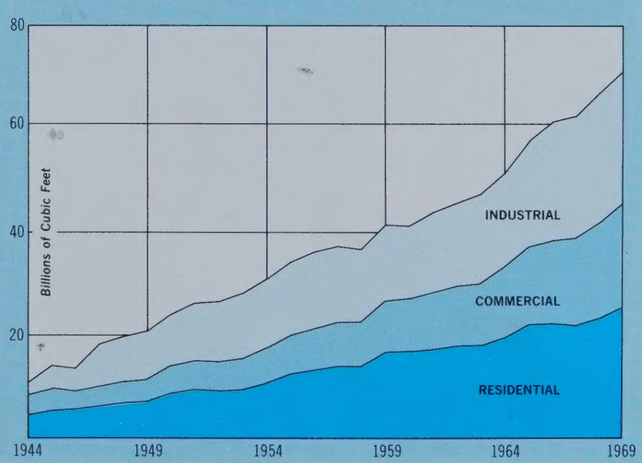
REVENUE



ANNUAL GAS SALES



GAS SALES BY CLASS OF CUSTOMER



Ralph Pilkington, right, manager of production and transmission, examines plans on location with employee A. T. Atkinson.

John Willsher, manager of distribution, and R. B. Snyder, assistant general manager, operations, on scene of downtown project.

John Fildes, right, manager of Lethbridge and District, with W. T. Boychuk.

Creek area and additional gas from the East Calgary field. This new agreement is a short term arrangement (two years) which will terminate when The Alberta Gas Trunk Line Company Limited builds the necessary facilities to transport this gas. The main benefits of these schemes to Canadian Western are the revenue earned for providing the service to TransCanada and the increase in the availability at Calgary of substantial volumes of gas for peaking purposes.

The company participated with Consumers' Co-operative Refineries Limited in the drilling of two wells to earn an interest in certain Canadian Pacific Oil and Gas lands in the Stirling area of Southern Alberta. One well was completed as a Bow Island gas well, while the other proved to be non-productive and was abandoned. Gas from the Stirling area wells is to be turned into the system early in 1970.

NEW CONSTRUCTION

Capital expenditures in 1969 were $5,426,000, half of which was devoted to the construction of facilities to serve new customers. Expenditures on new mains, services, and facilities for new urban customers were $1,598,000, while extensions to serve new rural customers were $1,143,000. Transmission and distribution improvements cost in excess of $1,000,000 in 1969.

The company's pipeline system now totals 3,439 miles, consisting of 40 miles of field line, 999 miles of transmission lines and 2,400 miles of distribution lines.

Capital expenditures of $5,080,000 are forecast for 1970. In urban areas extensions of mains, installation of service lines, purchase of meters, regulators and other equipment to serve 4,600 new customers will cost approximately $1,400,000. The company expects to connect 600 new rural customers at a cost of approximately $950,000.

The company anticipates $250,000 will be required to complete installation of a new compressor at the company's Carbon field. A standby compressor will be installed on the Cardston line.

Expenditures on buildings in 1970 will be approximately $525,000 as the company completes its major vehicle and equipment depot near the airport in Calgary, and builds an addition to its Service Centre at Lethbridge. A new telephone system offering improved service to the public will be installed in Calgary.

CUSTOMER RELATIONS

The company continues its policy of striving to provide its customers with the finest possible natural gas service. This service policy is pursued on many fronts, ranging from appliance adjustments, safety inspections, homemaker assistance and kitchen planning, to demonstrations, public information, school information programs and distribution of literature.

In 1969 there was an increase in customer service calls to 60,824 as well as an increase in the number of premises surveyed to 23,141. During these surveys the company's expert servicemen checked ranges, water heaters, furnaces and other appliances.

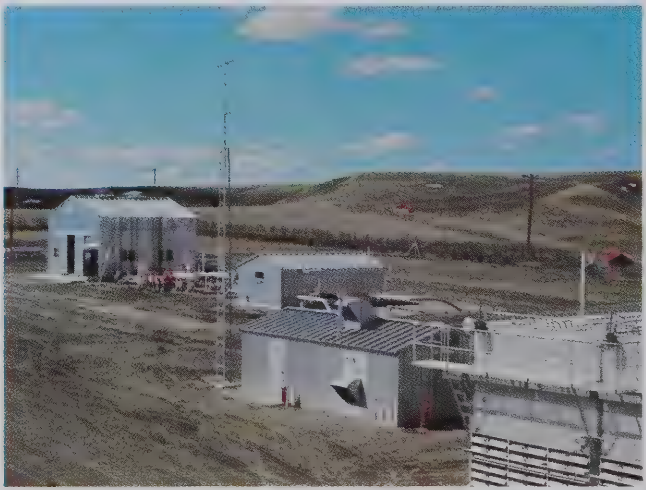
Home service section of the sales department gave advice to many thousands of customers by mail or telephone. Home economists conduct many kinds of demonstrations, ranging from food preparation to laundry hints and gourmet cooking.

A major effort by the company is the continuing inspection of gas lines for the protection of the public. In 1969 some 515 miles of distribution lines were covered in leak inspections. The company inspects every existing service in Calgary, for example, at least once a year, and most services in the downtown area are checked monthly. In 1969 there were 136,000 such inspections.

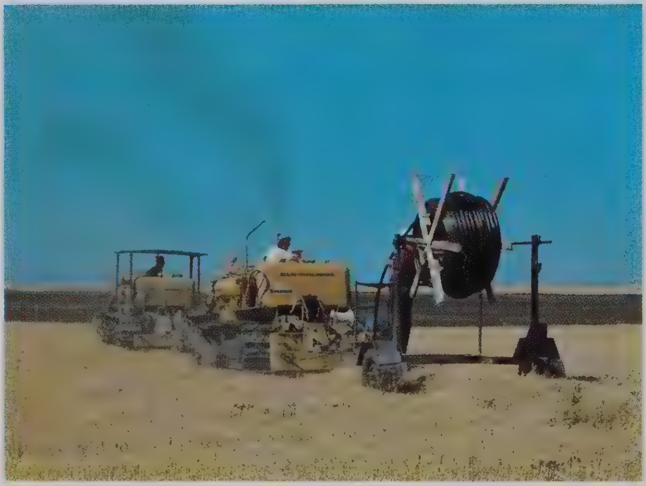
Major portion of construction work is replacement of gas pipelines for many reasons. Above a new 16-inch line replaces part of a pipeline installed more than 45 years ago. Plans for a city expressway, below, required relocating a high pressure line.

One of several "Magic Suitcase" teams in action.

Carbon Field station, northeast of Calgary, where compressor facilities are being enlarged.



Plowing equipment speeds installation of plastic pipe to serve rural customers.



The company's popular Magic Suitcase show, an entertaining demonstration of the many products made from natural gas, continues to prove popular and is in constant demand by schools, clubs and other organized groups. It has now been shown more than 125 times to more than 13,000 people.

A new computer was installed in 1969. Among other advantages it enabled the company to institute bi-monthly meter reading throughout the system. Residential meters are now read every second month, with other readings being estimated. This will result in a significant reduction in meter reading costs. More and more customers are now taking advantage of the company's payment equalization plan whereby gas bills are equalized throughout the year. More than 23,000 customers are now paying their accounts this way.

Each new customer receives a customer information manual describing the many services offered. Other company literature tells the story of natural gas and its contribution to Alberta's economy. Leaflets in the many thousands, filmstrips and other material carry the story to students and others.

STAFF

In July, 1969, the four associated utility companies in Alberta — Canadian Western Natural Gas Company Limited, Northwestern Utilities, Limited, Canadian Utilities, Limited and Northland Utilities Limited were placed under common management. Senior appointments applicable to all four organizations were: John E. Maybin, Chairman and Chief Executive Officer; John C. Dale, Vice Chairman and Egerton W. King, President.

At December 31, 1969, there were 638 employees working in permanent positions. This is only a slight increase from the previous year. Many of the positions which became vacant during the course of the year were filled by employees through the company's established job posting system.

FINANCIAL STATEMENTS

CANADIAN WESTERN NATURAL GAS COMPANY LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

[illegible]

PEAT, MARWICK, MITCHELL & CO.

ORDINARY SHARES:

Montreal Trust Company
Calgary, Alberta — Edmonton, Alberta — Toronto 1, Ontario

PREFERENCE SHARES:

Canadian Western Natural Gas Company Limited
Calgary, Alberta

Crown Trust Company
Montreal 1, Quebec — Toronto 1, Ontario

ORDINARY SHARES:

Montreal Trust Company
Calgary, Alberta — Edmonton, Alberta — Toronto 1, Ontario

PREFERENCE SHARES:

Crown Trust Company
Calgary, Alberta — Montreal 1, Quebec — Toronto 1, Ontario

Peat, Marwick, Mitchell & Co.
309 Eighth Avenue S.W., Calgary, Alberta

BALANCE SHEET

December 31, 1969

(with comparative figures for 1968)

ASSETS

	1969	1968
Fixed assets:		
Property, plant, gas wells and equipment subject to amortization and depreciation, at cost	$80,824,666	$76,121,872
Less accumulated amortization and depreciation	24,190,495	22,336,841
	56,634,171	53,785,031
Undertaking, franchises, gas rights, etc. in respect of which no provision for amortization is being made (including $2,000,000 par value ordinary shares in Calgary Gas Company, Limited) acquired through issue of ordinary shares	8,000,000	8,000,000
Net fixed assets	64,634,171	61,785,031
Investments, not having market quotations, at cost, less allowance	1,307	1,415
Current assets:		
Cash	150,610	227,240
Marketable securities, at cost	—	117,015
Accounts receivable	2,726,115	2,827,171
Due from parent and affiliated companies	59,265	40,128
Government of Canada special refundable tax	—	95,358
Materials and supplies, at or below average cost	874,279	844,408
Prepaid expenses	10,682	5,717
Total current assets	3,820,951	4,157,037
Accounts receivable due beyond one year	1,126,105	874,441
Unamortized debt discount and expense	322,281	355,044
Other deferred charges	39,310	126,976
	$69,944,125	$67,299,944

Approved on behalf of the Board:

J. E. MAYBIN, Director

E. W. KING, Director

LIABILITIES

	1969	1968
Capital stock and retained earnings:		
Preference shares (note 1)	$ 9,508,200	$ 9,508,200
Ordinary shares:		
Authorized—3,000,000 shares without nominal or par value		
Issued—1,780,000 shares	10,799,000	10,799,000
Retained earnings (note 2)	15,453,671	14,847,867
General reserve	1,711,541	1,711,541
Total capital stock and retained earnings	37,472,412	36,866,608
Long-term debt (excluding current maturities) (note 2)	20,970,000	21,926,000
Current liabilities:		
Loan payable to bank	2,700,000	1,300,000
Accounts payable and accrued charges	2,042,314	1,484,672
Accrued interest on long-term debt	246,960	249,415
Accrued interest on consumer deposits	419,317	380,350
Long-term debt—current maturities (note 2)	939,000	323,000
Due to parent and affiliated companies	—	51,406
Income taxes (note 3)	57,381	383,357
Other taxes	391,888	349,296
Total current liabilities	6,796,860	4,521,496
Deferred income taxes (note 3)	354,628	403,620
Other liabilities:		
Consumer deposits	1,353,031	1,260,714
Miscellaneous	373,190	369,093
Total other liabilities	1,726,221	1,629,807
Contributions for extensions	2,624,004	1,952,413
	$69,944,125	$67,299,944

See accompanying notes.

STATEMENT OF EARNINGS

YEAR ENDED DECEMBER 31, 1969
(with comparative figures for 1968)

	1969	1968
Natural gas sales	**$25,187,777**	$23,432,830
Operating expenses:		
Natural gas purchased	**8,452,653**	8,313,748
Operating	**5,729,037**	4,994,475
Maintenance	**1,044,344**	920,393
Salaries and fees of directors, officers and senior employees	**241,454**	211,839
Taxes — income (note 3)	**2,207,000**	1,940,000
Taxes — other than income	**1,788,311**	1,646,342
Depreciation exclusive of $160,717 included in operating and other accounts (1968 — $150,233)	**1,855,640**	1,660,887
	21,318,439	19,687,684
Net operating income	**3,869,338**	3,745,146
Other income:		
Gain on purchase of long-term debt	**6,690**	58,851
Gain on sale of capital assets	**83,460**	9,529
Interest and dividends	**114,624**	145,235
Rent	**217,561**	214,739
Miscellaneous	**146,509**	34,134
	568,844	462,488
	4,438,182	4,207,634
Income deductions:		
Interest on long-term debt	**1,281,682**	1,314,111
Other interest	**119,605**	71,857
Debt discount and expense amortized	**32,763**	34,343
	1,434,050	1,420,311
Net earnings	**$ 3,004,132**	$ 2,787,323

See accompanying notes.

STATEMENT OF RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1969
(with comparative figures for 1968)

	1969	1968
Balance at beginning of year	**$14,847,867**	$14,191,872
Add net earnings	**3,004,132**	2,787,323
	17,851,999	16,979,195
Deduct dividends:		
4% cumulative preference shares	**220,328**	220,328
5½% cumulative preference shares	**220,000**	220,000
Ordinary shares	**1,958,000**	1,691,000
	2,398,328	2,131,328
Balance at end of year	**$15,453,671**	$14,847,867

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED DECEMBER 31, 1969
(with comparative figures for 1968)

	1969	1968
Funds provided by:		
Operations:		
Net earnings	**$ 3,004,132**	$ 2,787,323
Add depreciation and other charges, less credits, not involving cash	**2,072,196**	1,896,028
	5,076,328	4,683,351
Proceeds from disposal of fixed assets	**87,611**	37,635
Increase in non-current consumer deposits	**92,345**	68,280
Increase in contributions for extensions	**671,591**	616,022
Government of Canada special refundable tax	**—**	89,825
Total funds provided	**5,927,875**	5,495,113
Funds applied to:		
Payment of dividends	**2,398,328**	2,131,328
Additions to fixed assets	**4,874,295**	3,990,657
Reduction of long-term debt	**956,000**	929,000
Increase in accounts receivable due beyond one year	**251,664**	874,441
Other, net	**59,038**	84,238
Total funds applied	**8,539,325**	8,009,664
Increase in working capital deficiency	**$ 2,611,450**	$ 2,514,551

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1969

1. Preference shares:

   Authorized:

   600,000 shares of the par value of $20 each, issuable in series, of which 325,000 shares have been designated as Cumulative Redeemable Preference shares 4% series and 200,000 shares have been designated as Cumulative Redeemable Preference shares 5½% series.

   Issued and redeemable at the option of the company on 30 days' notice at $20.60 per share:

275,410 shares 4% series	$5,508,200
200,000 shares 5½% series	4,000,000
	$9,508,200

2. Long-term debt:

   Long-term debt at December 31, 1969 is summarized as follows:

	Total Amount	Current Maturities
First mortgage sinking fund bonds:		
Series A — 3½% due April 1, 1971	**$ 2,350,000**	$400,000
Series B — 5¾% due February 1, 1982	**4,996,000**	176,000
Series C — 5⅜% due April 1, 1983	**3,343,000**	98,000
Series D — 5⅝% due May 1, 1989	**4,500,000**	125,000
Series E — 7% due June 15, 1992	**6,720,000**	140,000
	21,909,000	939,000
Deduct current maturities	**939,000**	
Long-term debt less current maturities	**$20,970,000**	

   The long-term debt outstanding is stated after deducting $9,000 Series B and $17,000 Series C bonds which have been purchased and are held for future sinking fund payments.

   Instalments of long-term debt maturing in each of the calendar years 1970, 1971, 1972, 1973 and 1974 amount to $939,000, $2,515,000, $565,000, $600,000, and $600,000, respectively, after deducting bonds which have been purchased as described in the preceding paragraph.

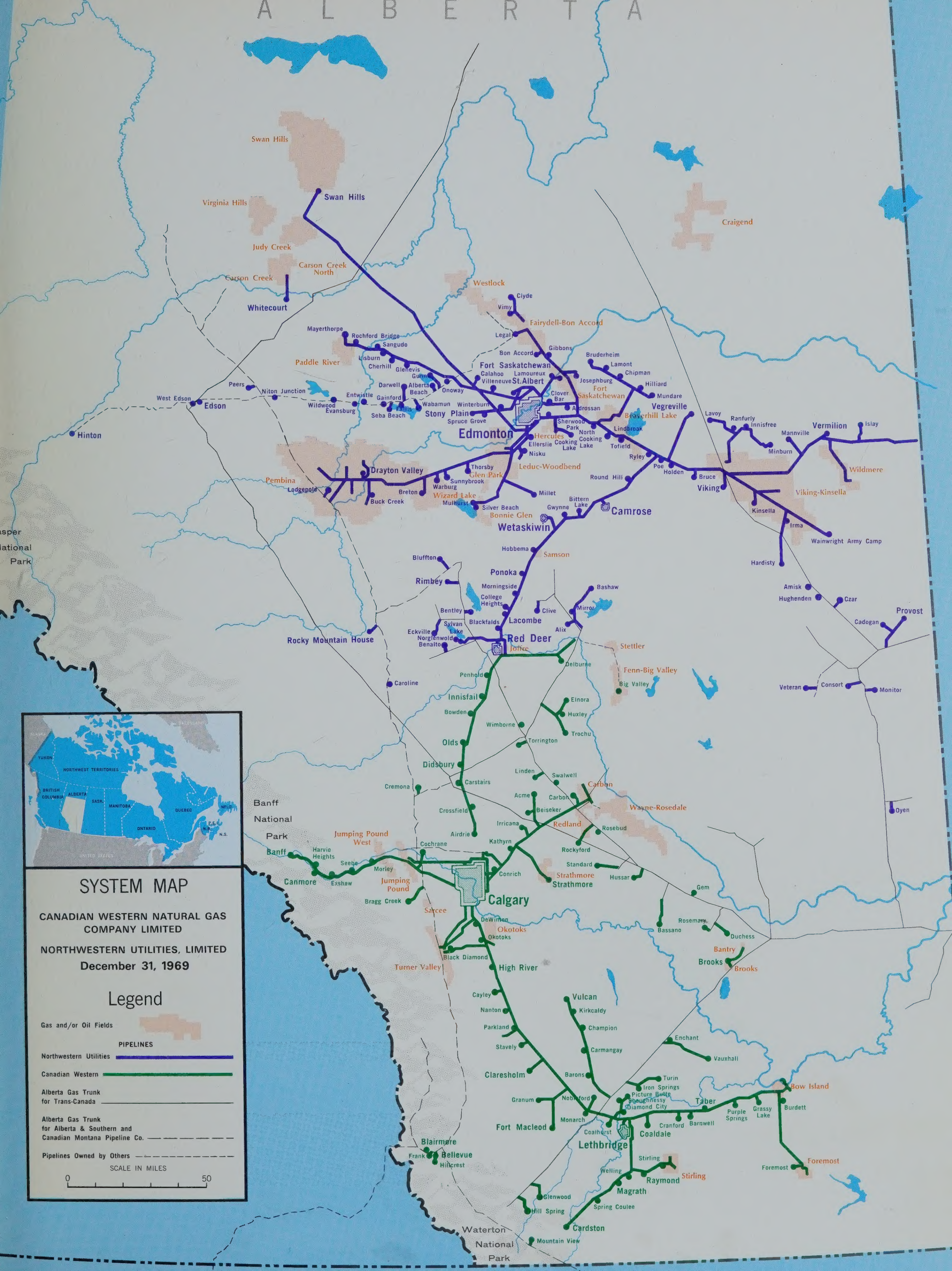
   The Trust Deed securing the First Mortgage bonds imposes certain restrictions on the payment of dividends and management fees and upon the redemption or repayment of the company's preference and ordinary shares. To December 31, 1969, all of the conditions of the Trust Deed had been met.

3. In fixing rates, except for the matter referred to in the succeeding paragraph, the Public Utilities Board of the Province of Alberta permits the company to recover only taxes payable currently and accordingly, to the extent that capital cost allowances are claimed in excess of the depreciation recorded in the accounts, there has been a related reduction in the amount of income taxes otherwise payable.

   The company is permitted, however, to record deferred tax credits in respect to the acquisition of natural gas rights for its utility system, but, at the specific request of the City of Calgary it has agreed with effect from January 1, 1967 to amortize such deferred tax credits by credit to the annual provisions for income taxes over a 10 year period.

   The effect of the reductions in the annual provisions for income taxes resulting from the use of the methods referred to in the two preceding paragraphs as compared to the annual provisions on a full tax allocation basis is that the provisions have been reduced by $236,218 in 1969 ($290,924 in 1968). The cumulative amount of deferred tax credits to December 31, 1969, is $2,348,895 of which $354,628 has been recorded in the accounts.

4. The company, together with certain of its affiliated companies, has in effect a pension plan covering substantially all of its employees. At December 31, 1969, the company's share of the aggregate unfunded past service liability, being amortized over a period of approximately twenty years, amounted to approximately $1,558,000.



SYSTEM MAP

CANADIAN WESTERN NATURAL GAS COMPANY LIMITED

NORTHWESTERN UTILITIES, LIMITED

December 31, 1969